

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-08 AID-05 CIAE-00 COME-00 FRB-03
 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
 LAB-04 SIL-01 OMB-01 /053 W
 -----121505Z 011526 /44

R 112015Z MAR 77
FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC 7563
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO

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E.O. 11652: N/A
TAGS: ELAB, BR
SUBJ: AUTO INDUSTRY LAY OFFS SPARK APPREHENSION ABOUT UNEMPLOYMENT.

REF: SAO PAULO A-08

1. A DECISION ANNOUNCED EARLIER THIS WEEK BY GENERAL MOTORS DO BRASIL AND FORD TO LAY OFF A TOTAL OF 2,000 PRODUCTION WORKERS, TRIGGERED BY A SHARP DROP IN AUTO SALES IN THE FIRST TWO MONTHS OF THE YEAR, HAS FUELED SOME CONCERNS HERE THAT SAO PAULO COULD BE IN FOR A PERIOD OF RISING UNEMPLOYMENT. THE AUTO FIRM'S ACTIONS FOLLOWED LAY OFFS EARLIER THIS YEAR BY PERKINS MOTORS AND MASSEY FERGUSON TOTALING 1,500 WORKERS BECAUSE THE LACK OF RURAL CREDIT HAS PROVOKED A DRAMATIC DROP IN FARM TRACTOR SALES. IN ADDITION, SEVERAL SPOKESMEN FOR THE SAO PAULO CIVIL CONSTRUCTION INDUSTRY HAVE RECENTLY PREDICTED MASSIVE LAY OFFS IN THAT SECTOR WITHIN TWO OR THREE MONTHS IF MAJOR NEW GOVERNMENT AND PRIVATE CONTRACTS ARE NOT LET SOON. ALL OF THESE DEVELOPMENTS COULD HAVE IMPORTANT IMPLICATIONS NOT JUST FOR THE HUGE AUTO AND CONSTRUCTION INDUSTRIES, WHICH DIRECTLY EMPLOY 2000,000 AND 300,000 IN SAO PAULO RESPECTIVELY, BUT FOR THE ENTIRE BRAZILIAN ECONOMY SINCE HALF THE NATION'S INDUSTRIAL WORKERS ARE CONCENTRATED IN SAO PAULO.

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2. MINISTER OF PLANNING REIS VELLOSO WAS SUFFICIENTLY CONCERNED BY THE LATEST DISMISSALS TO SUMMON THE PRESIDENTS OF GM, FORD AND VOLKSWAGON TO BRASILIA MARCH 2 TO EXTRACT AN AGREEMENT THAT THE FIRMS WOULD HOLD OFF ON ANY FURTHER CUTS UNTIL SALES COULD BE REVIEWED WITH THE BRAZILIAN GOVERNMENT AT THE END OF MARCH. MINISTER OF INDUSTRY AND COMMERCE CALMON DE SA WAS ALSO

DISPATCHED TO SAO PAULO ON MARCH 3 TO GET A FIRST HAND READING OF THE EMPLOYMENT SITUATION FROM SAO PAULO BUSINESSMEN. ACCORDING TO PRESS REPORTS, CALMON PRONOUNCED HIMSELF SATISFIED THAT THERE WAS NO UNEMPLOYMENT CRISIS IN SAO PAULO AND THAT THE DISMISSED WORKERS WOULD HAVE NO IDIFFICULTIES FINDING JOBS IN THE MORE VIGOROUS SECTORS OF THE ECONOMY.

3. WHILE THE AUTO AND CIVIL CONSTRUCTION ARE POTENTIAL PROBLEM AREAS THAT BEAR CLOSE WATCHING, WE CAN SEE NO SIGNIFICANT UNEMPLOYMENT DEVELOPING AT PRESENT NOR ANY SUCH PROSPECTS OVER THE NEXT FEW MONTHS. FURTHER ANALYSIS OF THE UNEMPLOYMENT SITUATION IS THE REFERENCED AIRGRAM.

4. EMBASSY CONCURS.
CHAPIN

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: UNEMPLOYMENT, AUTOMOTIVE INDUSTRY
Control Number: n/a
Copy: SINGLE
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Retention: 0
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Review Content Flags:
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